

SENATE BILL 422

By Tracy

AN ACT to amend Tennessee Code Annotated, Title 8 and Title 9, relative to global security risk assessment of investment of public retirement plan funds.

WHEREAS, the securities and exchange commission in May 2001 and November 2003 determined that business operations in terrorist-sponsoring countries can represent a material risk to investors; and

WHEREAS, there is a proven risk to the share value and corporate reputation of companies doing business in terrorist-sponsoring countries; and

WHEREAS, Tennessee needs to protect the retirement funds of public employees from the financial risk associated with portfolio companies that have business operations in terrorist-sponsoring countries; and

WHEREAS, there exists today no risk management program in this state to address the growing challenge posed by the exposure of our public pension portfolios to global security risk; and

WHEREAS, our public pension fund asset managers are entrusted with the retirement funds of thousands of our public employees and, to date, have not, identified and assessed companies that may be exposed to global security risk; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 8, Chapter 37, Part 1, is amended by adding the following as a new section:

§ 8-37-117.

(a) Any entity that manages public funds on behalf of the state shall submit a semiannual report beginning July 1, 2006, to the Tennessee consolidated retirement

system that identifies and describes activities of all companies held on behalf of the state that have business activities in or with the United States department of state designated terrorist-sponsoring countries or that have been associated with the proliferation of weapons of mass destruction and ballistic missiles.

(b) Beginning on February 1, 2007, and on February 1 of each succeeding year, the Tennessee consolidated retirement system shall submit to the governor, the state treasurer, the attorney general, the speaker of the senate, the speaker of the house of representatives, the chair of the house of representatives finance, ways and means committee, and the chair of the senate finance, ways and means committee, a report on global security risk and state investments. The report shall include, but not be limited to:

(1) A summary of the reports by asset managers;

(2) Total Tennessee consolidated retirement system exposure to companies operating in terrorist-sponsoring states;

(3) A list of companies judged to be most at risk from a global security risk perspective;

(4) Steps taken by the fund or its asset managers to communicate with portfolio companies exposed to global security risk and copies of such communications; and

(5) Policy recommendations concerning portfolio companies that invest in or conduct business with terrorist-sponsoring countries unless and until such time as the United States department of state no longer designates that country as a terrorist-sponsoring country.

(c) To the extent of funds available, the Tennessee consolidated retirement system may hire or retain consultants as necessary to help prepare the annual report required under subsection (b).

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.